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Dr. Russell Read
Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Global Equity Program Restructuring Update

Dear Russell,

You requested Wilshire's opinion with respect to Staff's update on the Global Equity portfolio restructuring. Wilshire feels that Staff is making meaningful progress on achieving the goals they have spelled out for this project, namely setting the stage for an improvement in the active returns of the Global Equity portfolio and increasing the efficiency of the program.

Wilshire noted in our September 25 letter to Christy Wood (presented to the IC in the October item on the Global Equity Strategic Review) several avenues for improved performance for the Global Equity portfolio. Broadly, Wilshire focused on three themes: 1) increased focus on current, successful programs (notably RMARS and Corporate Governance), 2) increased use of internal management, where appropriate, and 3) a move to a global portfolio from a US-biased portfolio. Staff has tackled the Global Equity Strategic Review with vigor and has made a number of changes in the last several months.

As Staff notes in the agenda item, both the RMARS portfolio and the Corporate Governance portfolio have received increased commitments over the past several months. This includes commitments to new funds (increasing diversification) and increases to existing funds.

Staff and Wilshire are working together to find an appropriate way to transition from the US-biased equity portfolio to a global portfolio. This will include a normalization process for the US/non-US split and a transition timeline to minimize transaction costs

and market impact. As normal cash flows have occurred within the Global Equity portfolio, Staff has opportunistically shifted towards the true global mix.

Last, Staff is proposing starting two new internally managed index funds – one for international small cap stocks and one for emerging market stocks. These index funds would give Staff a full suite of index funds to cover the global equity opportunity set. We believe that Staff has significant experience managing international equities (both developed markets and emerging markets) internally and should be able to add these new funds to the existing list of internally-managed portfolios fairly easily. Additionally, these portfolios would help with the transition from a US-biased equity portfolio to a true global equity portfolio by acting as a source and use of liquidity in these markets during times of asset transitions. Wilshire supports Staff's proposal, based on the experience of the team, the role these new index portfolios would play in the asset class, and the continued goal of using internal management, where appropriate.

Wilshire looks forward to continuing our work with Staff on this project. Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,


